

CHAPTER 5: THE FLATHEAD ECONOMY

Introduction

When the Growth Policy was originally adopted in 2007, the Flathead Valley and its economy were experiencing significant growth and development. Traditionally characterized by its diversity, northwest Montana's economy was stable and growing; a 2004 report on the 'State of the Rockies' identified Flathead County as having the most balanced employment composition in the Rocky Mountain West, with no one sector of the economy prevailing over another. That all changed in 2008, when the economic recession affecting the rest of the country began to significantly impact Montana's economy. Numerous reports in the years since have characterized Flathead County as one of the hardest hit economies in the state, with some of the highest long-term unemployment rates and a significant reduction in economic diversity. And while the effects of the recession continue to be felt today, the Flathead Valley is beginning a slow recovery, building upon the natural resources and scenic qualities that have traditionally been part of the economic landscape while embracing new opportunities and supporting those economic sectors that have remained resilient throughout the recession.

The county's natural environment has always been one of its chief economic assets, contributing significantly to the high quality of life that draws visitors as well as potential employers and future residents to the Valley. This quality of life is characterized by natural scenic beauty, clean air and water and access to outdoor and recreational opportunities. Region specific export products such as Flathead cherries and timber products, as well as the tourism draw of Glacier National Park and Flathead Lake are prime examples of how Flathead County's natural environment has contributed significantly to the local economy.

Rapid population growth between 2000 and 2005 served as a major driver in the county's economic vitality during the first half of the decade. The population of older, working, financially established adults rapidly increased during this time period, as those in their early 40's to late 50's chose to relocate to Flathead County. The number of older, non-working adults and retirees requiring access to social and medical services without income attachment grew significantly during this time period, and continues to be a driving economic factor today. Although population growth continued during the second half of the decade - primarily between 2005 and 2007- the national recession that began in 2008 had a dramatic affect on the rate of growth and overall composition of the population, particularly its civilian labor force. This is not, however, the first time Flathead County has found itself in an economic recession. Cyclical changes related to the evolving needs of a local and regionally connected population will continue to influence and drive the economy. Planning in a way that will encourage and sustain future economic growth in the face of cyclical change is one approach to the current economic situation facing the Flathead Valley.

Goal

- G.21 A healthy and vibrant Flathead County economy that provides diversity and living-wage job opportunities and is comprised of sustainable economic activities and private sector investment.

Policies

- P.21.1 Provide adequate land area designated for commercial and industrial use to promote affordability, creating entrepreneurialism and/or businesses relocation to Flathead County.
- P.21.2 Develop methods to enhance a sustainable agricultural and timber industry through community-based incentives.
- P.21.3 Foster business development as a method to provide employment and locally produced goods and services to meet the needs and demands of local communities and to provide region specific export goods.
- P.21.4 Promote education and work force development programs to better prepare current and future generations for high quality job opportunities and to provide employers with quality and dependable workers.
- P.21.5 Utilize economic development authorities to attract relocation or startup of businesses that offer competitive wages and job opportunities for those with a range of educational backgrounds.
- P.21.6 Preserve the natural amenities that characterize the county in order to attract industries and businesses that maintain the high quality of life that attracts visitors and new residents, and sustains the tourism sector of the economy.
- P.21.7 Support the continuation of traditional and existing industries to maintain economic diversity and aid future business expansion.

Goal

- G.22 Available, accessible, and adequate business infrastructure including facilities, utilities, services and transportation networks to facilitate new businesses and relocation of existing businesses to the County

Policies

- P.22.1 Identify infrastructure needs of the various business types and identify areas of the County which can best suit those needs.

- P.22.2 Promote business centers and industrial parks in areas served by sufficient infrastructure with consideration to proximity to population densities.
- P.22.3 Encourage the development of an airport industrial/business center to provide convenient access to Glacier International Airport and to foster a growing economy.
- P.22.4 Consider the infrastructure needs of local businesses when prioritizing development of new county facilities.
- P.22.5 Encourage/support coordination with in the creation and update of the Flathead County Comprehensive Economic Development Strategy.

PART 1: Economic Composition (see Goals 21 and 22)

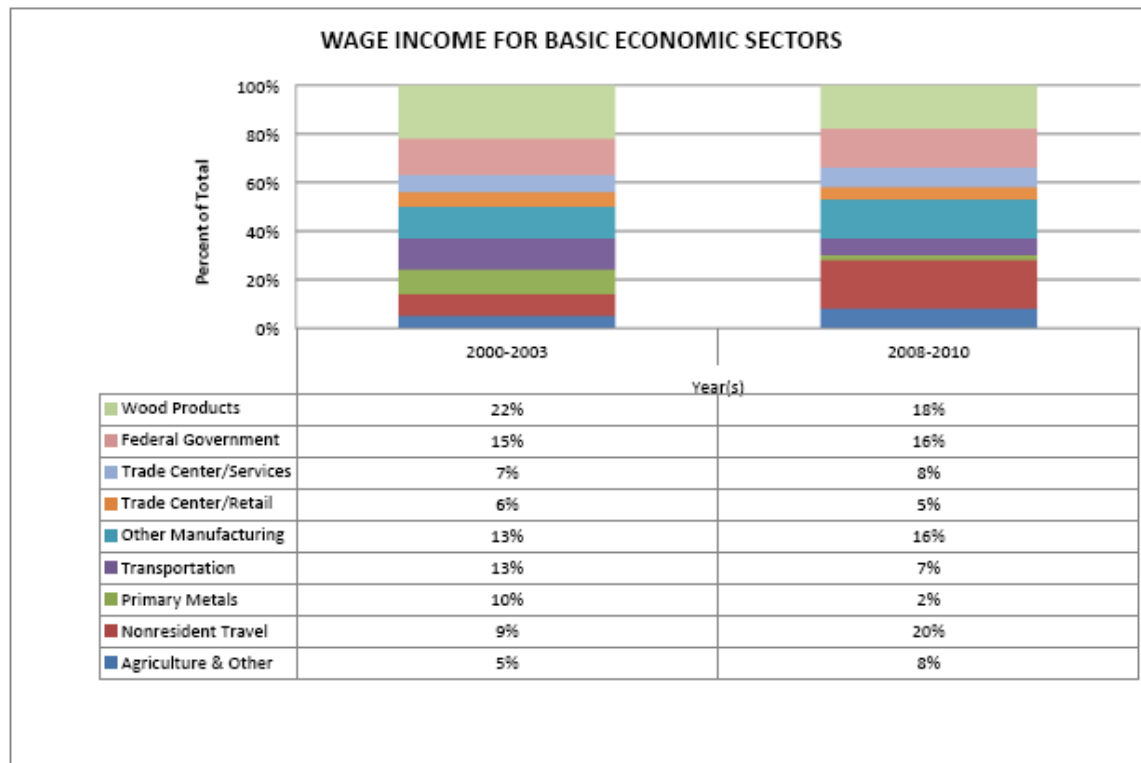
The Flathead Valley was historically a natural resource based economy. Logging, mining and commodities production have decreased over the past decade, and as a result the Flathead economy has had to diversify in order to accommodate this change (as shown in Figure 5.1 below). The County's economy has experienced significant restructuring over the past thirty years, with significant growth in the retail trade and service industries during the late 1990's and early 2000's. However, the economic downturn has tempered the diversification of the economy in the same way it has affected economic growth and stability. Those industries that experienced enormous increases in employment, labor earnings, and sales over the past decade have since experienced significant losses in these same indicator areas during the recession. The closure of the Columbia Falls Aluminum Company and the Plum Creek mill, coupled with cyclical declines in the wood products and construction industry have added to these losses. However, the natural amenities and quality of life that contribute to the character of Flathead County continue to attract small businesses and technology companies that are becoming more prevalent in light of the new knowledge based, globalized economy. The city of Kalispell's evolution as a regional trade and service center has also contributed to the growth of the County's economic base, even during this period of economic decline.

Several types of indicators may be used to evaluate trends in sectors and sub sectors of the economy. Wages and income, employment, and sales are some indicators which show changes over time. All of these indicators are discussed throughout this chapter to contrast past and current trends and to provide a snapshot of today's economy. The data detailing the Flathead County economy are extensive. However, consistent information for inter sector comparisons per year is not always available. Information contained in this chapter describes both basic and non basic sectors. Basic sectors are those sectors of the economy which are entirely dependent on export of their goods or services. Examples of basic sector goods are agriculture, manufacturing, and retail trade. Non-basic sectors are dependent on local consumption of goods and services, and include services such as healthcare and education. It is important to note that although the healthcare service industry has been a major contributor to the Flathead's economy over the past decade, it

will not be considered a “base industry” until the provision of services expand to a regional level supported by non-localized spending.

While the county has grown in population over the past two decades, the labor force has experienced a slight decline in population in the last three years¹. This decline is attributed in large part to the high unemployment rate and evolving economic base Flathead County is currently experiencing. Growth indicators such as wage income for basic economic sectors show the change in the economic landscape since 2000. According to data provided by the Bureau of Economic Analysis and shown in Figure 5.1 below, sectors including wood product manufacturing, transportation, and primary metals all experienced significant decline in their percentage of total labor income over the past ten years. Basic economic sectors including trade services, other types of manufacturing, non-resident travel and agriculture experienced growth totaling 52% of the total labor income. The federal government, another major component of the County’s economic base that includes the USDA Forest Service and the U.S. Park Service, grew slightly over this time period, comprising 16% of the labor income in 2010. Impacts to basic economic sectors as a result of the economic downturn have been particularly acute over the past three years. The construction industry was especially hard hit, a factor that may not be evident based upon the figure below. Many of the industries that experienced significant reductions in staffing and annual wages are not considered basic economic sectors, but are one component of those sectors upon which they rely. These impacts will be discussed in greater detail in the following sections of this chapter.

¹ Historic Data for Unemployment Rate; Research & Analysis Bureau, MT Department of Labor & Industry

FIGURE 5.1**Labor Income in Basic Industries – 2000-2010 (percent of total)**

Sources: Bureau of Business and Economic Research, The University of Montana;
Bureau of Economic Analysis, U.S. Department of Commerce

The US Economic Census is conducted every five years and provides data for standard industry sectors important to the county's economy. The most recent census was conducted in 2007, and data collected indicates a substantial increase in sales for all sectors from \$2.86 billion in 2002 to \$3.62 billion in 2007, an increase of nearly 20% over a five year period. Retail trades were the largest portion of sales in the county equaling nearly \$1.6 billion in 2007 while manufacturing sales totaled \$9.2 million, and health care and social assistance equaled \$4.7 million.² It is important to remember these significant sales increases do not reflect current economic conditions, but those conditions present in 2007; before the economic recession took hold. When the next Economic Census is completed in 2012, it is likely the economic landscape for the past five years will look much different than what the data from 2007 indicate.

In light of the current economic conditions, it is important that Flathead County take the appropriate measures to create a market friendly environment that promotes entrepreneurship and business investment. Appropriate and compatible land uses, such as industrial parks near the airport and visible and accessible commercial lands, are a critical component of rebuilding and maintaining a diverse economy; this is just one example of the many areas to be considered for their future development potential. With a population projected to increase to 125,980 by 2030, the Flathead economy will

² US Bureau of the Census, 2002 and 2007 Economic Census

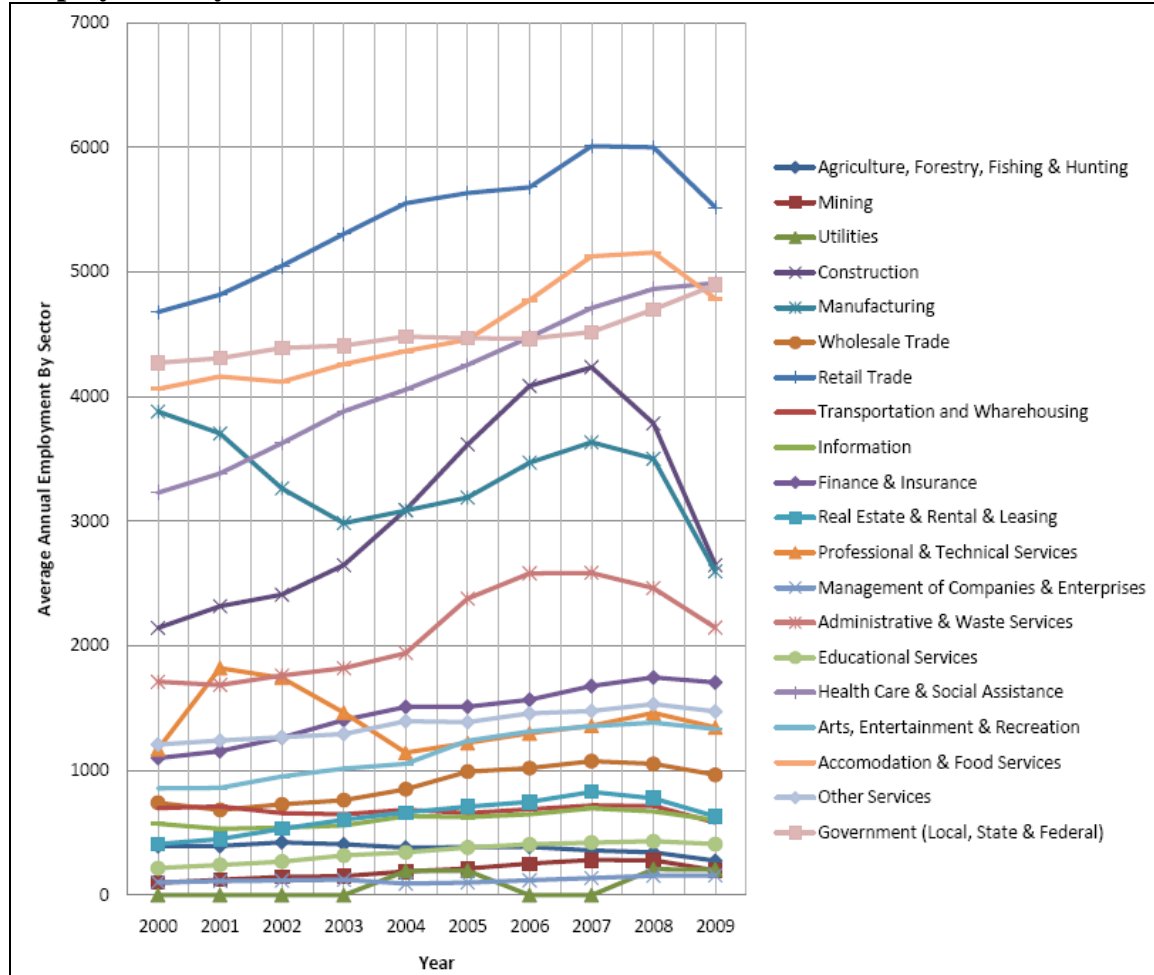
continue to grow, albeit at a slower rate than the growth experienced prior to 2008.³ Having a plan in place to promote economic development in all viable sectors through appropriate, diverse and compatible land uses will ensure opportunities for diverse growth. The creation of an economic development plan will be discussed in greater detail in Part 6 of this chapter.

PART 2: Employment (see Goal 21)

From 1990 to 2000 approximately 15,700 new jobs were created in Flathead County, a reflection of the diversifying economy and population growth occurring during this time period. As shown in Figure 5.2 below, employment sectors including retail sales, accommodation and food service, construction, health care and social assistance continued to grow rapidly between 2000 and 2007. Other employment sectors such as mining, real estate, wholesale trade, finance and insurance continued to grow during this time period, albeit less rapidly. Following the economic downturn in 2008, most employment sectors suffered losses in their labor force, the most drastic of which occurred in the construction, manufacturing and retail trade sectors. Health care and social assistance, as well as hospitality and accommodation sectors have continued to experience modest gains in employment numbers during the economic recession.

³ Montana Population Projections; NPA Data Services, Inc.

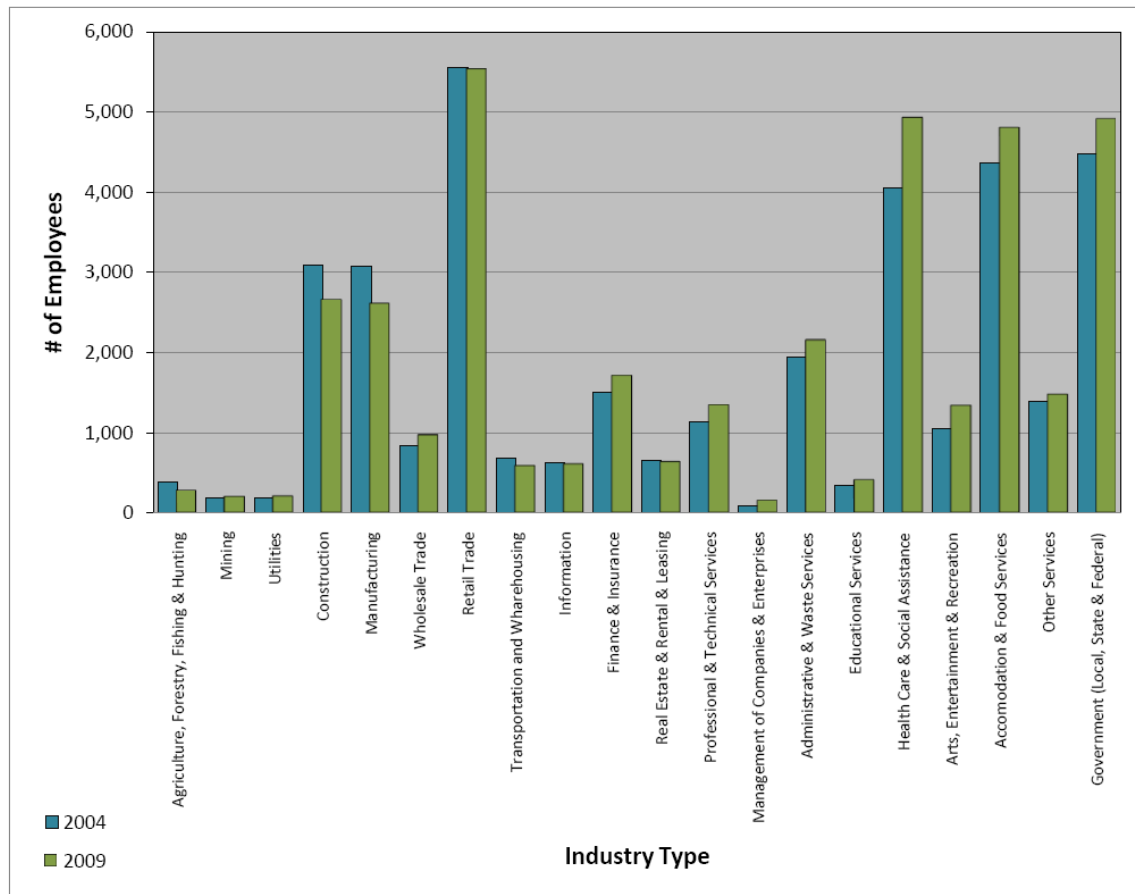
FIGURE 5.2
Employment By Sector – 2000 to 2009



Source: Montana Bureau of Labor & Industry; Employment & Earnings (ES-202/QCEW)

Approximately 37,388 persons were employed in private and public agencies in -2009, up from 35,707 persons in 2004. The concentration of employment is spread over several sectors as shown in Figure 5.3. The sector with the largest number of employees remains retail trade with - 5,519 employees, followed by local, state and federal government services; accommodation and food services; and healthcare and social services. Over the past five years industry sectors including wholesale trade, finance and insurance, professional and technical as well as administrative and waste services have increased their annual employment levels compared to 2004. Conversely, traditional sectors such as agriculture and forestry, construction and manufacturing have reduced their annual employment levels.

FIGURE 5.3
Employment by Industry – 2009



Source: Montana Department of Labor & Industry, Quarterly Census of Employment & Wages Program

Growth in the service and retail sectors including retail trade and finance, insurance, and real estate has notably increased to meet the growth in population. Service and retail trade sectors witnessed a 57% employment growth during the 1990s. The types of occupations that increased were mainly high quality jobs such as those in health care, engineering and management services, and business services. Service and retail occupations accounted for over 70% of the labor earnings during the 1990's. Between 1997 and 2000, the number of employees in health care and social assistance increased by 257%, followed by arts, entertainment, and recreation with an increase of 74% and employees in administrative and waste management services which increased by 70%.⁴ These industry types are components of the service sector of the economy, characterized as providing a service (i.e. intangible good) instead of producing a tangible end product, through activities where people offer knowledge and time to improve productivity, performance, potential and sustainability. As evidenced in Figure 5.3 above, most service sectors continued to experience growth since 2004, primarily in the realm of healthcare and social assistance, accommodation and food as well as government services. Industrial sectors of the economy – those producing tangible goods instead of intangible services –

⁴ US Economic Census 1997, 2002

generally experience a decline in employment in the years since 2004. Particularly hard-hit were the construction and manufacturing industries, with decreases in agriculture, forestry, fishing and hunting as well.

Unemployment Rates

When the Growth Policy was written in 2007, Flathead County was experiencing low unemployment rates, as evidenced by Figure 5.4 below. Higher unemployment rates in the 1990's gave way to a relatively stable economy in 2000, and unemployment rates generally remained between 4% and 6% from 2000 to 2007. Over the past three years the unemployment rate has more than doubled, hitting 13.1% in March 2011.⁵ Prolonged unemployment, combined with a reduction in diversity and prevalence of low-wage earning opportunities have resulted in the County experiencing a level of outmigration, as individuals seek career opportunities elsewhere in the state and region. Table 5.1 and Figure 5.5 below illustrate the impacts of the economic downturn on Flathead County's labor force.

The data regarding unemployment rates in Flathead County is limited in that it only reflects the number of individuals applying for unemployment insurance during the time period (month) the data is collected. Job loss is a significant factor that has a direct impact on both unemployment rates as well as the current instability of the economy in Flathead County. Figure 5.6 shows the percent change in annual employment trends between 2004 and 2010, while Figure 5.7 looks more specifically at the change in the number of employed by major industry sector between the 3rd quarter of 2009 and the 3rd quarter of 2010. The majority of industry employers reduced their workforce over the course of a year, indicating significant job loss in sector including utilities, construction, manufacturing, wholesale and retail trades, information, finance, real estate and management. Mining, administrative support and waste management and health care all added job during this same time period, with the mining industry increasing employment levels by over 40%.⁶

⁵ Economic Outlook 2011; Bureau of Business & Economic Research, The University of Montana. Montana Department of Labor & Industry Research & Analysis Bureaus; Unemployment Rates & Labor Force Statistics (March 2011)

⁶ Brad Eldridge, Executive Director of Institutional Research, Assessment & Planning, Flathead Valley Community College.

FIGURE 5.4
Flathead County Unemployment Rate – 1990-2009

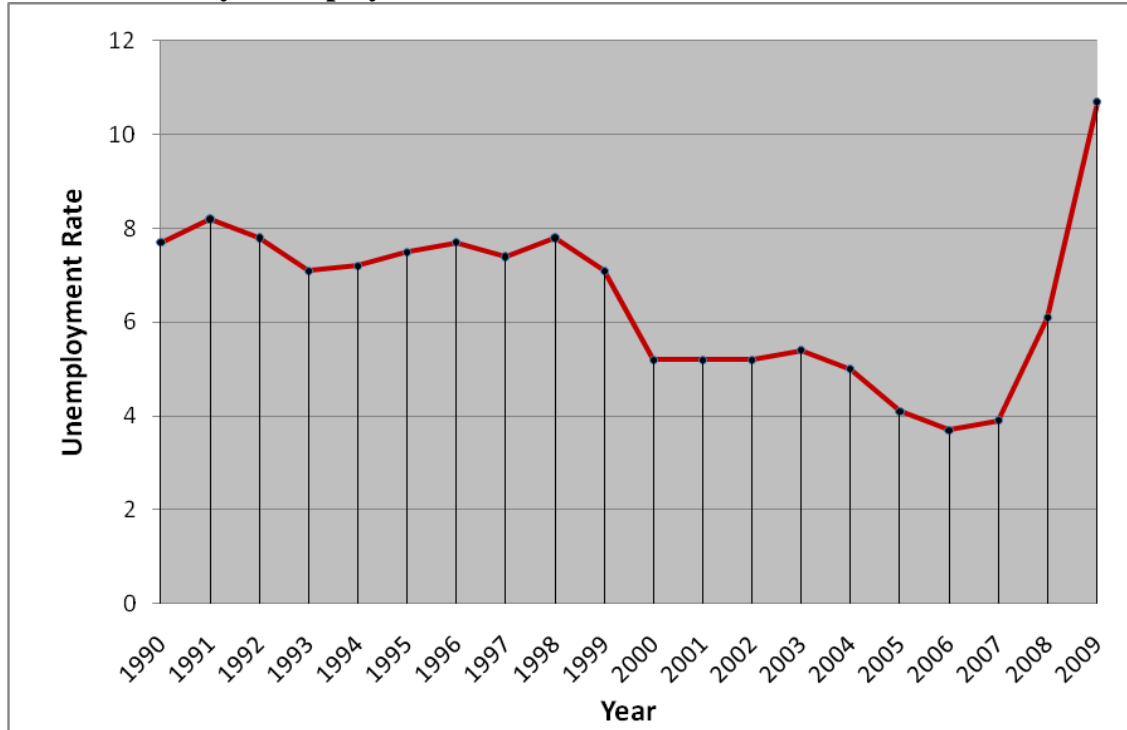
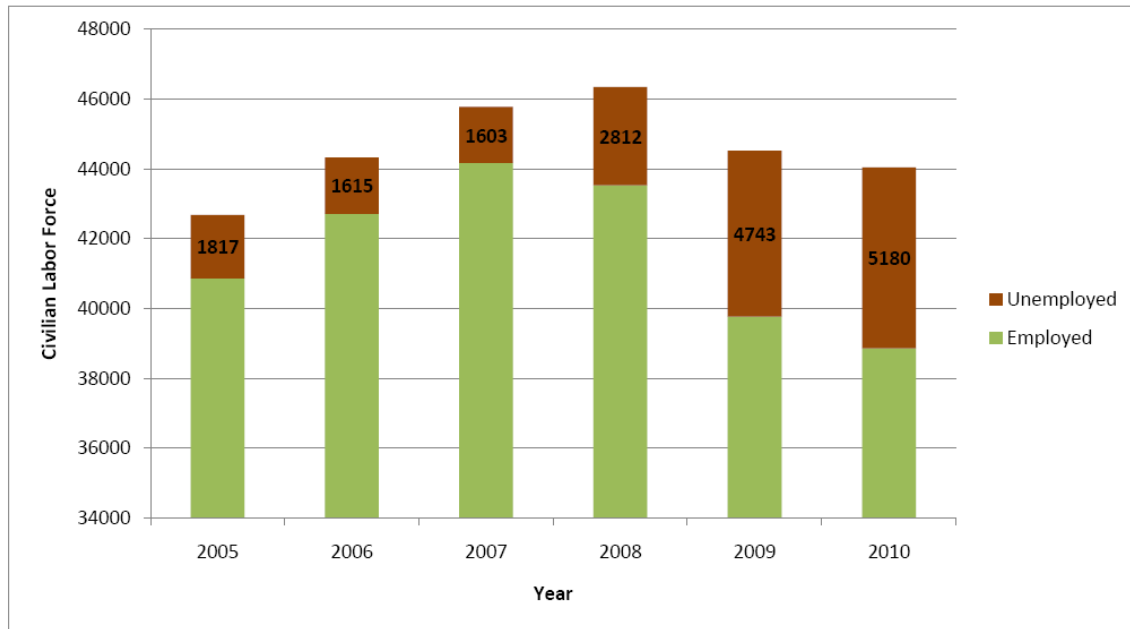


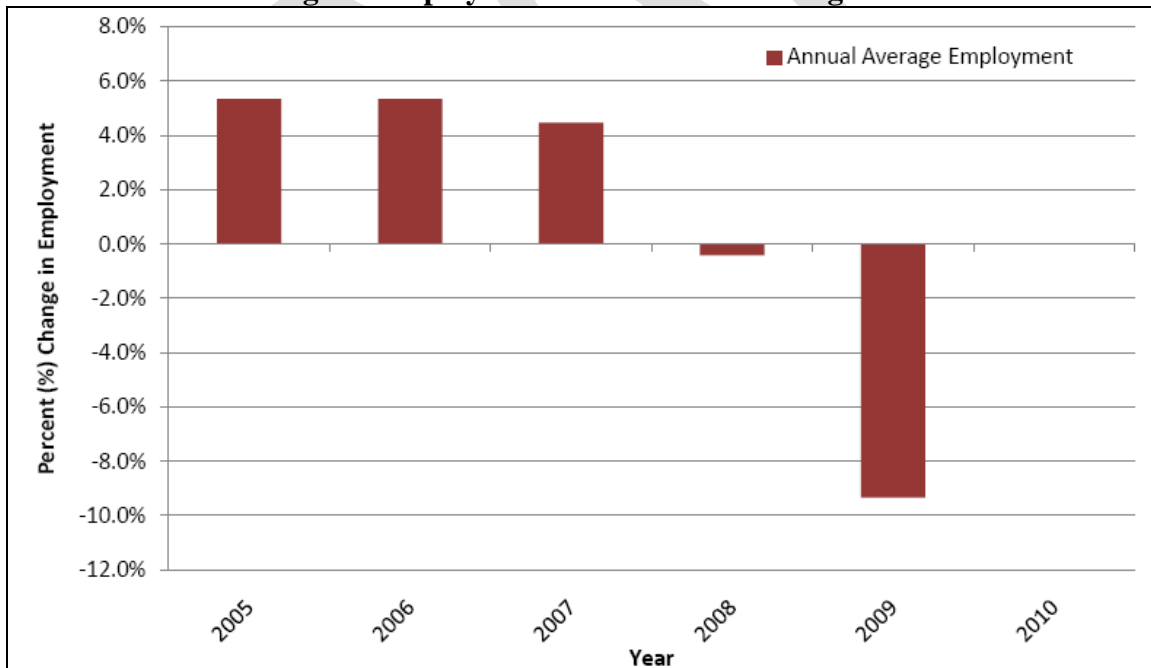
TABLE 5.1
Annual Average Labor Force in Flathead County – 2005-2010

Year	Civilian Labor Force	Employed	Unemployed	Unemployment Rate
2005	42685	40868	1817	4.3%
2006	44329	42714	1615	3.6%
2007	45777	44174	1603	3.5%
2008	46348	43536	2812	6.1%
2009	44516	39773	4743	10.7%
2010	44046	38866	5180	11.8%

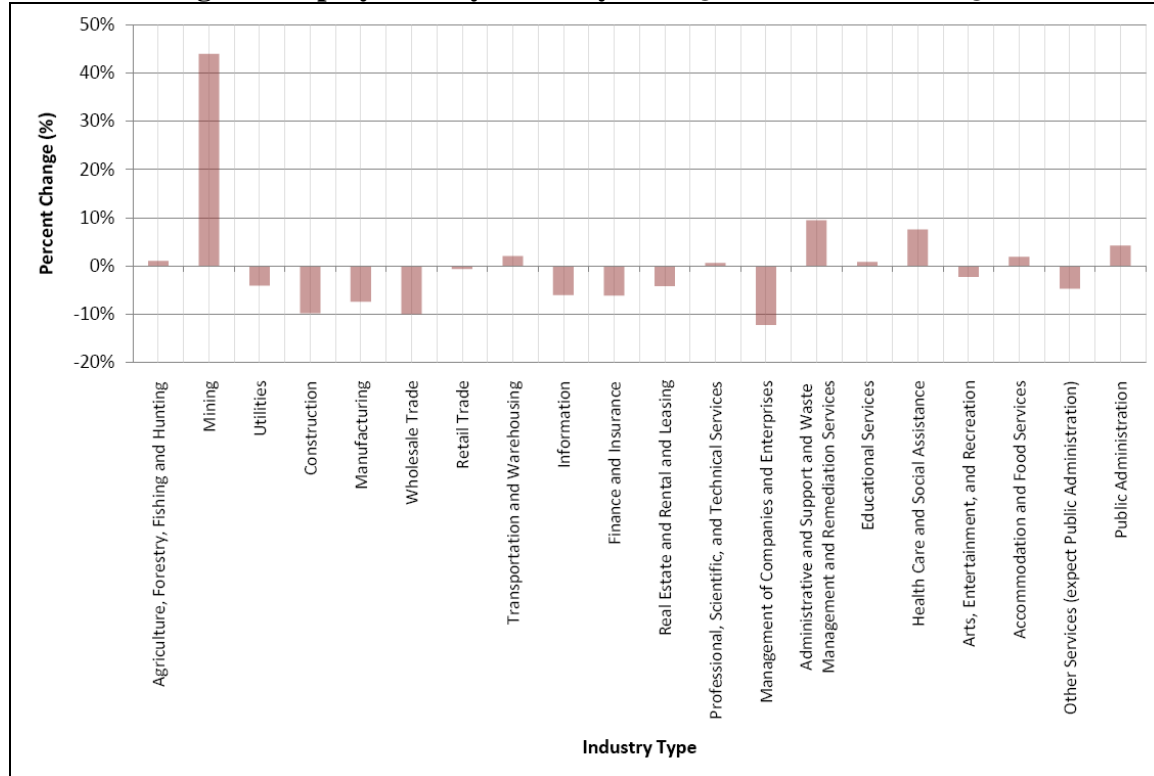
Source: Montana Department of Labor & Industry, Unemployment Rates & Labor Force Statistics

FIGURE 5.5**Annual Average Labor Force in Flathead County – 2005-2010**

Source: Montana Department of Labor & Industry, Unemployment Rates & Labor Force Statistics

FIGURE 5.6**Annual Percent Change in Employment Levels – 2004 through 2010**

Source: Montana Department of Labor & Industry, Employment & Earnings (ES-202/QCEW)

FIGURE 5.7**Percent Change in Employment by Industry - 3rd Quarter 2009 to 3rd Quarter 2010**

Source: Montana Department of Labor & Industry, Employment & Earnings (ES-202/QCEW)

TABLE 5.2**Percent Change in Employment by Industry - 3rd Quarter Annual Statistics, 2005 thru 2010**

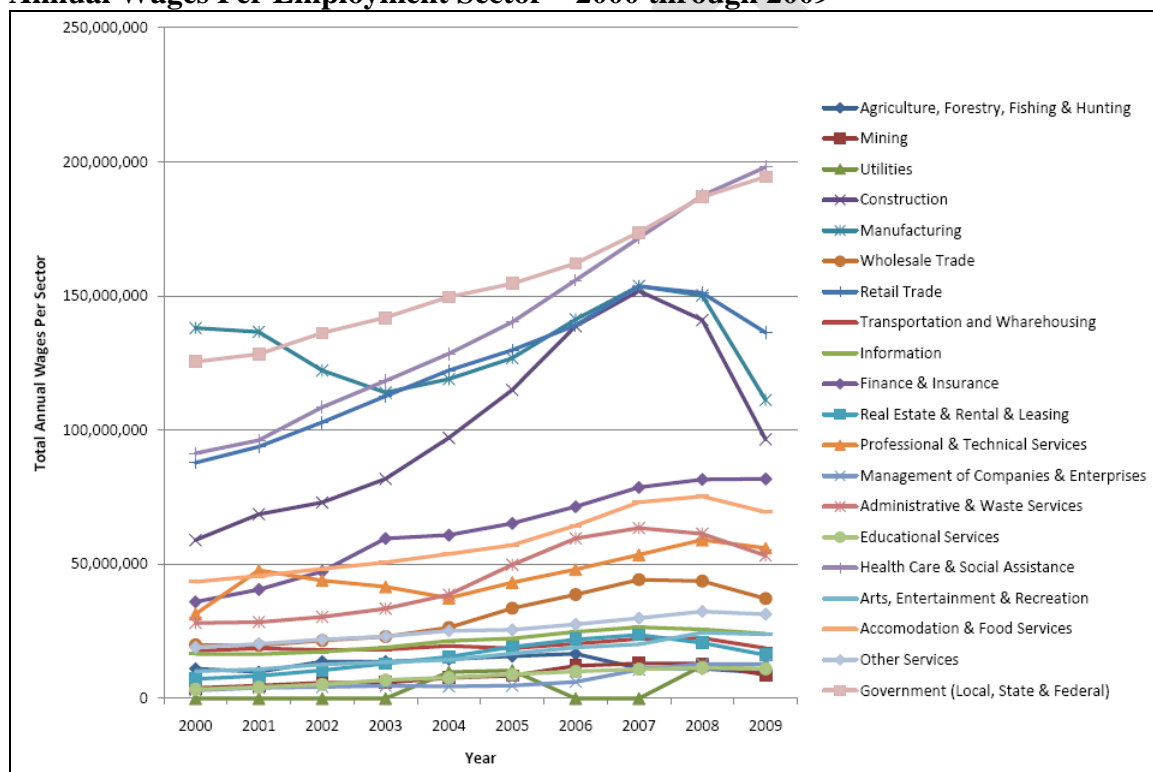
	Annual Percent (%) Change by Industry				
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Agriculture, Forestry, Fishing and Hunting	3.8%	9.4%	-6.3%	-17.4%	1.1%
Mining	45.0%	0.3%	-2.6%	-33.8%	43.9%
Utilities	-5.0%	0.0%	0.0%	16.1%	-4.1%
Construction	10.6%	2.8%	-9.8%	-27.1%	-9.8%
Manufacturing	9.5%	3.4%	-2.4%	-27.8%	-7.4%
Wholesale Trade	4.2%	6.6%	-2.9%	-8.5%	-10.0%
Retail Trade	-0.2%	7.6%	-0.5%	-7.1%	-0.6%
Transportation and Warehousing	9.1%	3.0%	-4.2%	12.2%	2.1%
Information	4.0%	14.9%	-7.3%	-12.0%	-6.0%
Finance and Insurance	2.5%	8.4%	4.0%	-3.9%	-6.1%
Real Estate and Rental and Leasing	5.8%	6.4%	-5.4%	-20.7%	-4.1%
Professional, Scientific, and Technical Services	8.6%	1.8%	5.3%	-7.7%	0.6%
Management of Companies and Enterprises	15.4%	16.7%	9.3%	2.0%	-12.2%
Administrative and Support and Waste Management and Remediation Services	5.7%	3.7%	-4.1%	-16.9%	9.5%
Educational Services	8.5%	3.5%	2.9%	334.9%	0.8%
Health Care and Social Assistance	5.4%	4.4%	3.9%	5.9%	7.5%
Arts, Entertainment, and Recreation	4.6%	4.6%	3.3%	8.3%	-2.2%
Accommodation and Food Services	6.3%	9.3%	1.3%	-6.8%	1.9%
Other Services (except Public Administration)	6.7%	-1.0%	5.1%	1.4%	-4.7%

Source: Montana Department of Labor & Industry, Employment & Earnings (ES-202/QCEW)

Wages

Between 2000 and 2007, annual wages for most employment sectors were on the rise, as shown in Figure 5.8 below. Following the economic downturn in 2008 there was a significant decrease in annual wages in the construction, manufacturing and retail trade sectors of the economy, and moderate decreases were felt in other sectors including wholesale trade, administrative and waste services, professional and technical as well as accommodation and food services. Only the health care and social assistance, finance, insurance and government sectors have experienced increases in total annual wages since 2008.

FIGURE 5.8
Annual Wages Per Employment Sector – 2000 through 2009



Source: Montana Bureau of Labor & Industry; Employment & Earnings (ES-202/QCEW)

The increasing cost of living in Flathead County has influenced what is defined as a “livable wage” or a wage which covers the costs of basic needs such as housing, food, transportation, healthcare, and insurance. The cost of housing in the county, as discussed in Chapter 3, is a major factor in determining a ‘livable’ wage since this cost has risen dramatically over the past decade. According to a report produced by the Montana West Economic Development, cost of living expenses related to groceries, transportation and healthcare all tend to be higher in the city of Kalispell (and surrounding environs) than the national average.⁷ Job related benefits also factor into the cost of living equation. A recent report conducted by the Robert Wood Johnson Foundation indicates approximately

⁷ ACCRA Cost of Living Index, Q3 2010, www.coli.org

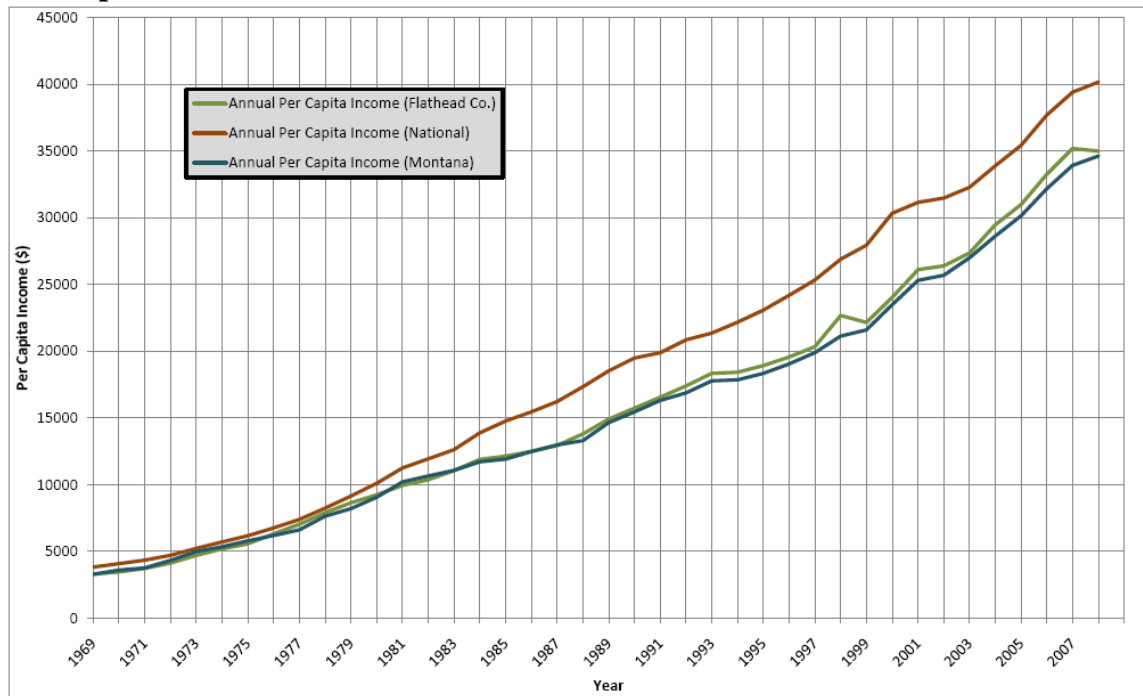
76% of Montanans are covered by some form of health insurance, be it public, private, or a combination of both. 55% of Montanans receive job based health insurance, a percentage that has remained steady over the past decade despite a decrease at the national level. 2009 estimates provided by the US Census Bureau indicate an elderly population (age 65 and over) of approximately 11,709 persons, or roughly 14% of the total population.⁸ Affordable healthcare becomes particularly important when factoring in the cost of living for residents in this age bracket, but should be a considerable when factoring wage and per capita income for all area residents.

Generally speaking, personal wages and per capita income have increased since the latter part of the 1990s. However, when compared to the United States, annual individual earnings in Flathead County have steadily declined against the national average. In the early 1970s the earnings per job in the county were comparable to those nationwide; in fact, in 1973 the average earnings per job in the county was over 95% of the national average. Over time, however, the rate of personal income increase slowed in Montana generally and Flathead County specifically, while annual per capita income continued to gain ground at the national level. Figure 5.9 offers an evaluation of per capita income for residents of Flathead County compared to residents of Montana and the U.S. as a whole. It is apparent from the data that while Flathead County employers pay less than US employers on average, they are slightly more competitive than their counterparts across the state of Montana. In 2004, per capita personal income in Flathead County was \$29,471 placing Flathead County as 10th highest in the state; today per capita income for Flathead residents is \$34,982, on par with the state at \$34,622 but 23% below the national average of \$40,166.⁹ Frustration with below average wages is evident from the residents of Flathead County. A goal commonly cited by participants in the 2005-2006 growth policy scoping meetings was jobs with adequate wages that include health insurance (see Appendix B: Public Involvement Summary). These sentiments continue today, as unemployment rates have risen dramatically, and those jobs that are available are often found in industry sectors like retail trades or accommodation and food services that offer lower pay with few or no benefits.

⁸ ACS Demographic and Housing Estimates for Flathead County, Montana: 2005-2009

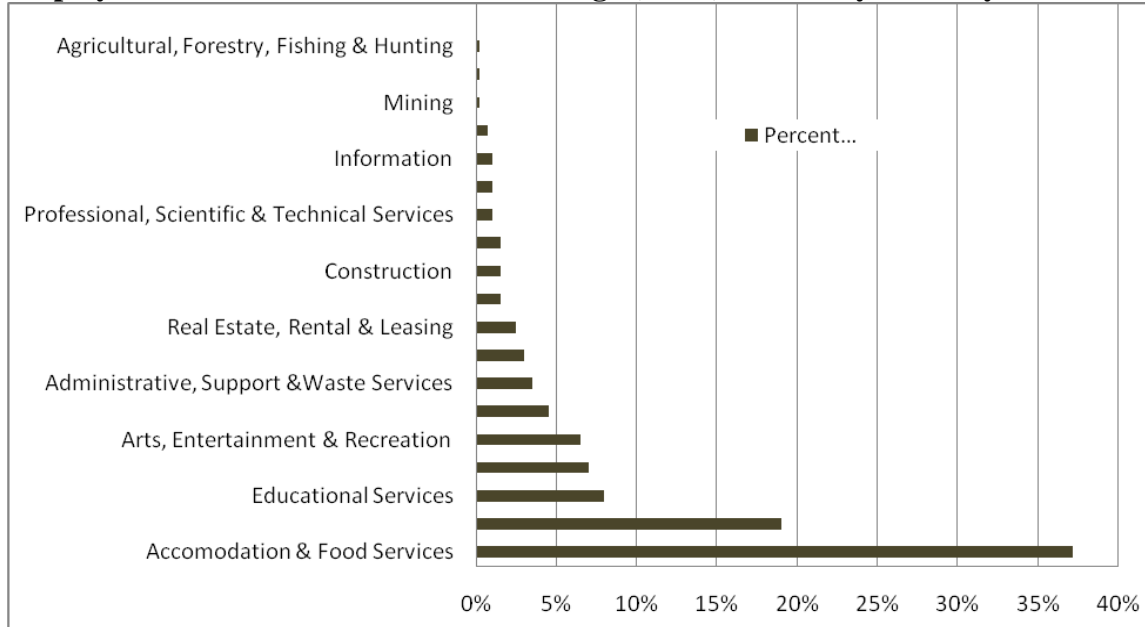
⁹ Montana Department of Labor & Industry; Income Report (1969-2009)

FIGURE 5.9
Per Capita Personal Income – 1969-2008



Source: Montana Department of Labor & Industry; Income Report (1969-2009)

Growth in the service sector has resulted in an infusion of lower-wage employment opportunities in Flathead County during the second half of the decade. While any economic growth is typically considered positive, an increase in lower wage and often part-time jobs has its own unique impact on the economy. Figure 5.10 below shows the distribution of minimum wage jobs paying \$7.35 or less across key employment sectors; note accommodation and food services account for nearly 37% of the jobs paying minimum wage, with retail trades following as a close second. As previously touched upon, these types of jobs rarely offer employment benefits or insurance to help offset cost of living expenses, and minimum wage is rarely considered enough of an income for an individual to provide for themselves or for a family. Current economic conditions have led to the prevalence of underemployment, a situation where skilled workers are employed in low-wage jobs that fail to offer the financial security necessary to support themselves, which tends to affect regional economic stability as well.

FIGURE 5.10**Employment Distribution at Minimum Wage (\$7.35) or Less by Industry - 2009**

Source: Montana Department of Labor & Industry, 2009

In years past, Census data has shown Flathead County residents increasingly live on non-wage incomes, which include income from investments and transfer payments such as social security. This may be due to the fact that the number of residents identified as ‘traditional retirees’, as well as people between the ages of 40 and 60 years old has been steadily growing. However, in 2010 over 77 % of all household income in Flathead County was reported as all or partially wage-based, a 17% increase over the percentage reported in 2000. 27% of all households in Flathead County receive Social Security benefits, while nearly 17% of households receive other forms of retirement income. 12% of households receive additional income in the form of Supplemental Security Income, cash public assistance or food stamp benefits.¹⁰

¹⁰ ACS Profile Report, 2010 - Flathead County, Montana.

Workforce

Five years ago Flathead County employers were experiencing difficulty filling available positions, whereas today the County is experiencing a very different problem. The high rate of unemployment rate and number of jobs lost during the recession means there are more people than there are jobs in Flathead County. When the Growth Policy was written five years ago, the lack of a sufficient workforce raised employers' concerns about education, training and employee recruitment. With the high rate of unemployment and lack of available jobs, the potential for outmigration of qualified professionals looking for work in other parts of the state and Country could significantly impact the Flathead's road to economic recovery. Creating and maintaining a local economy that is diverse and can be sustained relies upon the availability of jobs that pay a living wage and a qualified, able workforce to fill those positions. In addition to outmigration, individuals residing in Flathead County but having to work outside the County's jurisdiction has grown slowly but steadily over the past five years. In 2006 approximately 13.6% of the labor force fell into this category, whereas estimates from 2009 indicate that number has grown to 16.3% of the labor force. Based on data provided by the US Census Bureau, nearly 54% of workers employed outside the County are between the ages of 30 to 54.¹¹

The majority of Flathead County residents 25 years or older have some education beyond high school, with - 8.1% holding a two-year associate degree, 18.6% holding a four-year bachelor's degree, 7.7% with graduate or professional degrees, and 27.7% with some college but no degree.¹² This education trend is similar to that throughout Montana. An educated workforce is critical to a diverse economy. A major component of attracting business investments to the county is having a well trained ambitious workforce. Flathead Valley Community College provides a critical service in achieving this objective and should be supported. For more on Flathead Valley Community College, see Chapter 7: Public Facilities and Services.

TABLE 5.3
Workforce Education (population 25 years and older) – 2009

Educational Attainment	Flathead County	Montana	United States
Less than H.S. Diploma	5.8%	9.1%	14.8%
H.S. Diploma/Equivalent	31.1%	31.5%	28.5%
Some College	27.7%	24.1%	21.3%
Associate's Degree	8.1%	7.9%	7.5%
Bachelor's Degree	20.5%	19.1%	17.6%
Master's/Professional Degree	6.8%	8.3%	10.3%

Source: American Community Survey Estimates, 2009; Selected Social Characteristics, Flathead County, Montana

¹¹ US Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics; <http://lehdmap.did.census.gov/>

¹² American Community Survey Estimates, 2009; Selected Social Characteristics, Flathead County, Montana

Based on 2009 projections, the workforce (age 18-65) appears to be evenly split with 50% of workers female and the remaining 50% male.¹³ Although the current data available from the 2007 Economic Census does not specify which industry types each gender is prevalent in, data from the 2000 US Census indicated men held more jobs in labor intensive industries such as manufacturing and construction and retail trade while more women held positions in education, healthcare finance and insurance¹⁴.

PART 3: Business Characteristics (see Goals 21 and 22)

The majority of businesses in the county are small businesses indicating entrepreneurship is significant. Advanced telecommunication and transportation infrastructure has allowed new business opportunities in the county to grow and thrive. A high quality of living in the county is an advantage when encouraging relocation or the start-up of high tech and value added businesses, as these businesses produce high value goods with low environmental impact. Non employee businesses, or small businesses that employ only the business owner, are prevalent and compose a significant part of the Flathead County economy.

Approximately 4,250 individual private businesses operated in the county in 2009. Construction firms were the most numerous with 869 businesses in operation, which include the construction of buildings, heavy and civil engineering construction, as well as special trade contractors. Retail trade was the second most numerous in regard to number of establishments with 484 businesses including motor vehicle and parts dealers, furniture and home furnishing stores, gasoline stations, and general merchandise stores. Professional and technical services, accommodation and food services, and other service-based business establishments follow closely behind, as seen in Table 5.4 below. While there were only 325 health care and social assistance establishments in Flathead County in 2009, the Kalispell Regional Medical Center remained the largest employer with 2,282 employees. Employment estimates provided by the chief medical officer as of January 2011 indicate KRMC continues to grow, with approximately 2,400 employees today.

TABLE 5.4
Number of Establishments per Sector and Annual Wages Per Job – 2009

Industry	# of Establishments	Annual Wages Per Job
Agriculture, Forestry, Fishing & Hunting	88	\$34,651
Mining	20	\$44,185
Utilities	11	\$62,227
Construction	869	\$36,473
Manufacturing	188	\$42,830
Wholesale Trade	142	\$38,598
Retail Trade	484	\$24,712
Transportation and Warehousing	124	\$32,240

¹³ ACS Demographic and Housing Estimates for Flathead County, Montana: 2005-2009

¹⁴ www.census.gov

Information	58	\$40,045
Finance & Insurance	210	\$47,953
Real Estate & Rental & Leasing	236	\$25,641
Professional & Technical Services	440	\$41,668
Management of Companies & Enterprises	14	\$81,174
Administrative & Waste Services	244	\$24,828
Educational Services	38	\$26,999
Health Care & Social Assistance	325	\$40,332
Arts, Entertainment & Recreation	121	\$17,967
Accommodation & Food Services	326	\$14,523
Other Services	312	\$21,296
Government (Local, State & Federal)	112	\$39,707
TOTAL Private	4,250	
TOTAL All Industries	4,362	

Source: Montana Department of Labor & Industry, Quarterly Census of Employment & Wages Program

Larger private employers comprise a much smaller segment of the Flathead County economy. In 2010 there were nineteen businesses employing between 100 and 499 employees, while only five businesses employed 500 or more employees. Of the public sector employers listed in Table 5.6 below, two of the top five employ more than 500 employees.

TABLE 5.5
Top Private Employers in Flathead Valley – 2010

Industry/Employer	# Employed
Kalispell Regional Medical Center	2282
Teletech	850
Applied Materials	800
CenturyLink	580
WinterSports, Inc.	500*/80
Wal-Mart	411
Burlington Northern	375
L.C. Staffing	350
North Valley Hospital	305
Plum Creek	300
National Flood Service	260
Super 1 Foods	260
Immanuel Lutheran Home	250
Western Building Center	225
Glacier Bank Corp.	220
Costco	210
The Lodge at Whitefish Lake	180*/110

Flathead Electric Coop	165
Lowes	160*/142
Target	137
Sportsman & Ski Haus	131
Northwest Montana Human Resources	125
F.H. Stoltze Land & Lumber	125
Grouse Mountain Lodge	125*/100

* Indicates seasonal employment figures

TABLE 5.6
Top Public Employers in Flathead Valley -2010

Industry/Employer	# Employed
School District #5 (Kalispell)	750
Flathead County	526
School District #6 (Columbia Falls)	339
School District #44 (Whitefish)	207
City of Kalispell	180

Sources: Montana West Economic Development – Flathead County Profile

PART 4: Facilities and Infrastructure (see Goal 22)

Adequate business facilities and public infrastructure are necessary to promote a healthy business climate. Successful business communities often rely upon designated business districts to promote close proximity of businesses and services. Advances in transportation and communication technologies have enabled businesses to thrive in more remote areas of the nation. Important transportation infrastructure to support the county economy includes Glacier National Airport, road networks, and the railroad lines. Utilities such as those providing high speed internet and phone services are also essential. For an overview of land use considerations for commercial development see Chapter 2, and for more information on public facilities and infrastructure in the county, refer to Chapter 7.

Existing public facilities, utilities and infrastructure - and their availability for future growth - are key considerations when determining what types of commercial and industrial development can be accommodated and/or planned for into the future. These considerations also directly relate to the patterns of land use and planning for future growth and development based on where necessary infrastructure exists and where infrastructure should be expanded. One component of an Economic Development Plan would deal with these types of issues by inventorying available infrastructure, assessing the needs of future development and prioritizing likely improvements that may be necessary to accommodate certain types of industry in the future. This in turn provides a road map for economic development in the County, providing guidance as to what improvements may be necessary to promote economic growth in Flathead County, based

on the types of commercial and industrial business desired and the County's ability to reasonably accommodate them.

The expansion of commercial air service to and from Flathead County is one area of infrastructure improvement that has the potential to benefit the Flathead economy, by creating additional jobs at or serving Glacier International Airport and increasing the opportunities for tourists to visit during peak travel seasons. The addition of Allegiant Airlines has been of great benefit to residents and visitors alike; continued expansion of commercial air service to better serve business travelers and visitors will improve Flathead County's industry competitiveness and accessibility well into the future. Improvements to existing rail infrastructure throughout the valley are yet another consideration. Rail service is an important part of the Flathead's commercial and visitor infrastructure. Due to the lack of interstate highways serving Flathead County, the majority of shipping and transportation occurs via rail; capitalizing on this existing resource and improving operations could add to the Flathead economic viability into the future. Planning for rail-serviced business parks similar to the one planned for Kalispell will ultimately benefit the Flathead economy. And lastly, highway maintenance and expansion to better serve localized transport and delivery will continue to have a lasting impact on the Flathead valley. With the first half of the Highway 93 By-Pass complete and plans for the second half underway, commercial and industrial development opportunities will continue to expand in areas of the County not previously accessible or compatible for these types of uses.

County Fairgrounds – Due to deferred maintenance on the facility, it is likely the fairgrounds will become obsolete in the near future, failing to upgrade with the changing times and technology. With hospitality and accommodations currently serving as one of the County's largest basic industries and significant source of job growth, the fairgrounds could be tapped as an opportunity to draw in new meeting and convention potential – if upgraded accordingly. By investing in the existing infrastructure, this facility could prove a sustaining asset for the local economy and community as a whole.

PART 5: Economic Outlook

When the Growth Policy was originally developed, the economic outlook for Flathead County was essentially good; most estimates projected steady economic growth well into the future, with the possibility of only a slight deceleration late in the decade. As with all economic projections, this rosy outlook was based upon the significant growth and development the County was experiencing during the early 2000s; the impending national economic crisis and its far-reaching impact on the Flathead economy could not have been anticipated.

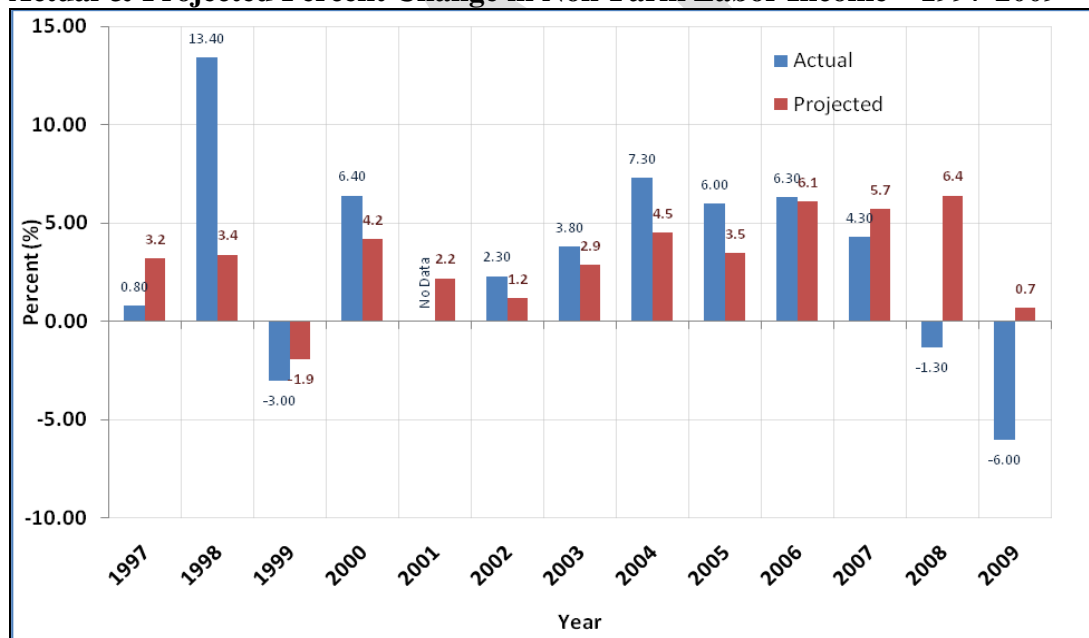
Predicting future economic trends is a daunting task under the best of circumstances, and becomes particularly difficult when dealing with a transitioning economy like that of Flathead County. As population growth slows, sectors dependent on the growth itself, such as the construction industry, will experience decline – this is precisely what has happened over the past three to four years. The manufacturing sector of the economy has

continued its decline since 2007, and retail trade – once a fast growing service sector of the economy – has experienced significant declines in employment levels and annual wages. Although the health care and government service sectors have remained solvent and, in some cases, continued to grow in the face of the recent economic downturn, future economic stability relies heavily on diversification and a stable, if not growing population.

As can be seen in Figures 5.11 and 5.12 below, the effects of the national recession significantly impacted economic projections at the County level. 2008 was the first year in almost a decade where the Flathead economy experience negative growth in non-farm labor income; 2009 was even worse. Although projections show a modest increase in non-farm labor income by 2013, it will take the Flathead economy years of positive growth to regain the ground lost to the negative economic growth that occurred in 2008 and 2009. Even as the economy begins to recover, industry projections indicate it will be at least 2014 before real non-farm labor income – the overall measure of the economy – regains a level of growth comparable to 2007. It could take even longer for employment to rebound to levels similar to those pre-dating the economic downturn.¹⁵

FIGURE 5.11

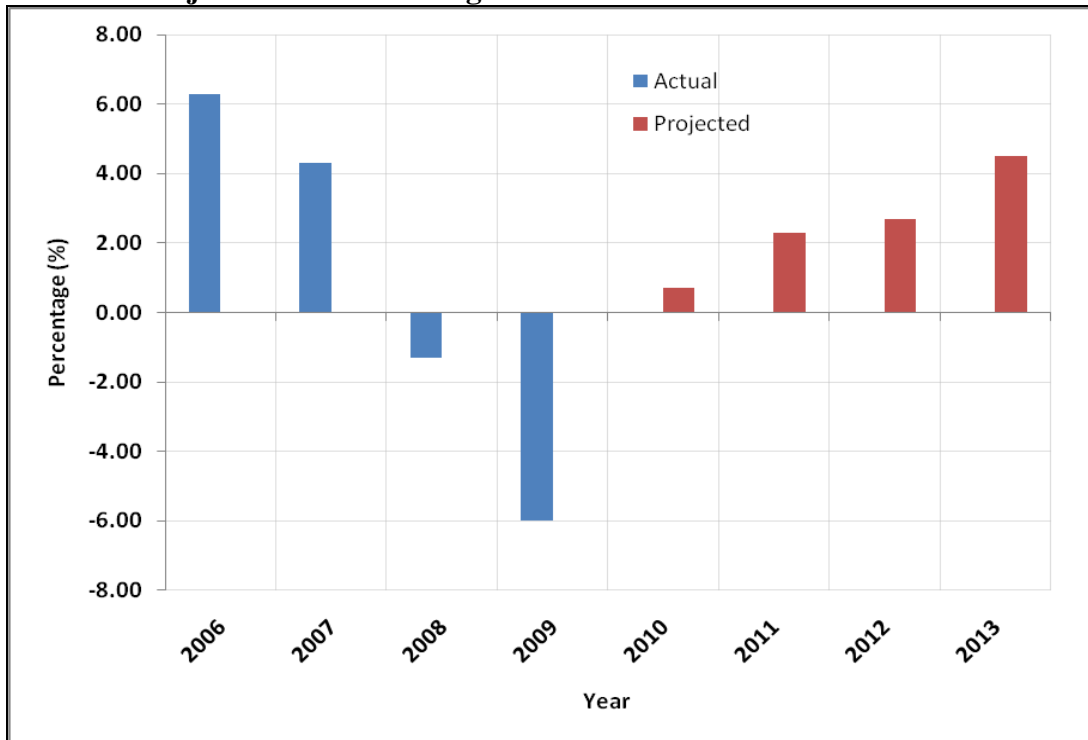
Actual & Projected Percent Change in Non-Farm Labor Income – 1997-2009



Sources: Bureau of Business and Economic Research, The University of Montana;
Bureau of Economic Analysis, U.S. Department of Commerce

FIGURE 5.12

¹⁵ Flathead County - Outlook 2011; Bureau of Business and Economic Research, The University of Montana.

Actual & Projected Percent Change in Non-Farm Labor Income – 2006-2013

Sources: Bureau of Business and Economic Research, The University of Montana;
Bureau of Economic Analysis, U.S. Department of Commerce

Projections for the state of Montana through 2012 appear to reflect similar trends in the county economy. Continued and expanding investments in statewide energy and natural resource infrastructure programming, coupled with strengthened consumer spending levels and growth in exports appear to be setting the stage for a stable economy in 2012. These circumstances are projected to bolster Montana industries such as agriculture and natural resources, while forest products and construction are projected to experience little or no growth into the future. Real estate sales and development will continue to struggle into 2012, while service sectors including healthcare and the tourism industry (non-resident travel, accommodations and food services) are projected to grow moderately over this same time-period.¹⁶ Data indicates the economic impact from tourism expenditures and non-resident travel - including hunting, fishing and guiding operations - will continue to play a significant role in Montana's economic recovery in years to come. With proximity to Glacier National Park and an abundance of hunting, fishing and recreating opportunities available to residents and non-residents alike, Flathead County is poised to capitalize on this economic force.¹⁷

On January 1, 2011 the minimum wage for state of Montana workers increased from \$7.25 to \$7.35, exceeding the Federal minimum wage.¹⁸ Based on current figures

¹⁶ The Montana Outlook - Outlook 2011; Bureau of Business and Economic Research, The University of Montana.

¹⁷ The Economic Review of the Travel Industry in Montana – 2010 Biennial Edition; Institute for Tourism and Recreation Research, The University of Montana.

¹⁸ Minimum Wage Information; Montana Career Resource Network

provided by the Montana Department of Labor and Industry, it is likely wage income for Flathead County residents will continue to increase moderately, reflecting overall trends at the state level. However, both state and county wage levels remain far below the current national average. This poses a significant problem for employers seeking to attract and maintain a quality workforce in the face of high cost-of-living expenses.

PART 6: Plan for Economic Development

The goals and policies of this chapter call for a number of activities that support business and economic development to be undertaken by the county. These include providing adequate land area, fostering business and workforce development, supporting traditional industries, promoting business and industrial centers and other efforts to support future economic development that can be sustained for years to come. These approaches tend to be most successful when the business community works with the county to produce an economic development strategy or plan. Such a plan must clearly articulate the needs of existing businesses and employers, evaluate present conditions and future needs, identify goals and opportunities and set forth an implementation strategy to encourage and support the desired outcome – an economic climate that is both stable and sustainable now and in the future. Efforts must be integrated so the county can send a unified message to prospective new businesses in a highly competitive climate. Land area needs must be demonstrated together with strategies for steering commercial growth to selected locations. Such a coordinated effort will help to assure that Flathead County's economic goals will be reached.

This chapter of the Growth Policy identifies key resources and data that will be useful in supporting economic development through the creation and implementation of an economic development plan. The Growth Policy serves as a general overview of the past and present economic climate, whereas an economic development plan would delve deeper into issues affecting the Flathead economy and provide a more comprehensive strategy for future growth and development. Economic development plans may be purely informational; focused on fulfilling the particular needs of a community; or intent on identifying and capitalizing on opportunities based upon existing resources and workforce. A development plan may also include a target industry study used to identify specific industries a community ought to target; this provides the basis for a focused marketing strategy should the County wish to pursue one. The scope of an economic development plan for the County will be dependent upon the goals and objectives identified by the committee participants at that time the plan is developed.¹⁹

A successful economic development plan should be based upon inter-agency coordination, utilizing existing partnerships and developing new ones to share information, knowledge and expertise beneficial to the plan's development. Existing documents – such as the Flathead County Comprehensive Economic Development Strategy (CEDS) – may be a logical starting point for this collaborative effort. The CEDS document is the outcome of a collaborative planning process intended to guide

¹⁹ Kelly & Becker, *Community Planning: An Introduction to the Comprehensive Plan*; Island Press, 2000.

future economic development and improve current economic conditions in the local economy. Much like the County Growth Policy, the document serves as both a summary of the current economic climate and a plan for how to address key issues and opportunities identified in the preliminary overview and analysis. The CEDS is updated every five years, the most recent of which occurred in 2007. In an effort to coordinate economic development efforts and utilize the wealth of existing information available, the County's participation in the 2012 update of the Comprehensive Economic Development Plan could serve as the basis upon which the CEDS document could be integrated within the Flathead County Growth Policy.

Planning for economic growth and development directly has a direct link to land use applications and coordinated infrastructure planning in Flathead County; therefore it is key that members of the Planning Board as well as County planning staff be involved in current and future update(s) of the Comprehensive Economic Development Strategy. A document like the CEDS provides guidance on what types of infrastructure may be necessary to support growth in certain industry sectors, and can also provide insight on where that infrastructure should be located and why. This information is an important consideration when it comes to land use planning. For example, existing infrastructure may be available to accommodate a certain industry, but is located in an area of the County that is zoned for residential or agricultural uses. Another consideration is that the extension of infrastructure (roads, electricity, water, sewer) typically precedes development in the area to which it is extended, and planning staff may be able to provide a valuable perspective on development patterns and impacts resulting from this type of growth.

The following is a list of key participants that should be involved in the development and/or update of any economic development plan for Flathead County. The current Comprehensive Economic Development Strategy (2007) lists over fifty committee members from local government agencies, citizen groups and private industries involved in the creation of the CEDS document. Their continued involvement is imperative to a continued well-rounded economic plan for the future.

- Montana West Economic Development (MWED)
- Flathead County Economic Development Authority (FCEDA)
- Local Chamber(s) of Commerce
- Cities of Whitefish, Kalispell, Columbia Falls
- Montana Department of Labor & Industry

As with any planning document, implementation tools and strategies are key components in realizing the goals of any economic development plan. Implementation strategies may include marketing and technical studies, small business support, cultivation of existing industries or job training. Implementation tools could include tax increment financing (TIF) districts, major financial incentives, development assistance from state and local governments, shell buildings and even the use of free (public) lands.²⁰ It is up to each individual community to determine which tools and implementation strategies suit their

²⁰ Kelly & Becker, *Community Planning: An Introduction to the Comprehensive Plan*; Island Press, 2000.

needs; this will be an important component of Flathead County's Economic Development Plan as it takes shape.

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